GOVERNMENT OF INDIA
POWER
LOK SABHA

UNSTARRED QUESTION NO:355
ANSWERED ON:22.02.2001
RURAL ELECTRIFICATION IN BIHAR
MD ANWARUL HAQUE;RAGHUVANSH PRASAD SINGH

Will the Minister of POWER be pleased to state:

(a) whether a memorandum for special package for cent per cent rural electrification in Bihar and Jharkhand States was submitted at a meeting held on December 11, 2000;

(b) if so, the salient features thereof;

(c) the details of demands accepted by the Government for implementation by the Rural Electrification Corporation in both the States; and

(d) the details of demands not accepted by the Government along with the reasons in each case?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF POWER (SHRIMATI JAYAWANTI MEHTA)

(a) & (b) : Yes, Sir. The proposal contained in the Memorandum submitted by BSEB contemplates freezing of interest and penal interest due to REC and waiving of the same by REC. It also proposed payment of only the principal outstanding in ten yearly installments.

(c) & (d) : The total loan outstanding and overdues payable by BSEB to REC currently stands at Rs.431.79 crores as on 31.12.2000, of which Rs.132.97 crores is the principal and Rs.298.82 crores the interest including Rs.66.90 crore as penal interest. Rural Electrification Corporation has not been able to disburse any amount to Bihar due to heavy default by Bihar State Electricity Board (BSEB). Despite continuous default in payment of REC`s dues, REC in 1996-97 sanctioned 39 new projects for rural electrification for loans outlay of Rs.40.83 crores to BSEB. They, however, did not execute loan documents and furnish Government guarantee and hence could not draw the loan amount against the sanctioned claims. The Government has also allocated a sum of Rs.37.67 crores for village electrification during the year 2000-01 under Minimum Needs Programme (MNP) being released directly to the State instead of earlier practice of routing it through REC.

In order to resolve the issue of outstanding dues and to start fresh credit flow to Bihar for RE programme, REC on many occasions proposed re-schedulement of REC dues which included part payment of overdues through one time cash payment and re-schedulement of the balance principal and interest over mutually agreed number of years. Despite favourable terms given and repeated offers for rescheduling the amount overdue, BSEB has not responded to this offer and has been continuously defaulting for the past several years. The loans outstanding against Bihar State Electricity Board (BSEB) carry normal interest rate (weighted average) of only 9.71% per annum whereas Government of India has been providing funds to REC @ 12% p.a. since 1993-94 (with additional penal interest @ 2.75% p.a.). Further, funds from market sources also cost around 11.50% to 12.00% p.a. to REC. Even if penal rate of interest of 2.75% p.a. is included in the weighted average rate of interest of loans to BSEB of 9.71% p.a., the total 12.46% per annum interest merely meets the cost of funds of the Corporation.

With regard to the request for freezing and waiving of the interest and penal interest, it may be introduced that REC as a financial institution raises money as loan from various sources including the Government of India for carrying out its lending operations, and has to continuously discharge its liability for payment to Government and other lenders in the market both on account of principal and interest as per the commitments.

The Ministry of Power also convened a meeting with the MPs from Bihar on December 11, 2000 with the objective of consulting and obtaining their suggestions on improving the poor pace of rural electrification and power sector development in Bihar. In this meeting, it was agreed that a workable arrangement needs to be urgently evolved by which the rural electrification programme in Bihar can move forward and at the same time, REC is enable to recover its dues over a period of time to ensure that REC`s ability to access funds from the market is not affected. Subsequent to the meeting, the Minister of Power has also taken up the matter with the Chief Minister, Bihar inviting her for discussions on the pending issues so that these could be resolved. The response of the State Government is awaited.